

Message Text

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PAGE 01 LISBON 03872 091659Z

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

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E.O. 11652: N/A

TAGS: BGEN, PO

SUBJ: U.S. BUSINESSMEN'S GROUP MEETING

REF: LISBON 2570

1. REGULAR MONTHLY MEETING OF U.S. BUSINESSMEN'S GROUP HELD
JULY 8 WITH AVERAGE ATTENDANCE.

2. BUSINESSMEN CONTINUE TO BE PESSIMISTIC ABOUT POLITICAL,
ECONOMIC SITUATION IN PORTUGAL. PRODUCTION AND PRODUCTIVITY
CONTINUES AT LOW LEVELS, MOST FIRMS ARE OPERATING AT A LOSS,
AND MANY PARENT FIRMS REFUSE TO SEND NEW FUNDS INTO PORTUGAL.
BUSINESSMEN EXPRESSED HEIGHTENED CONCERN ABOUT POSSIBILITY OF
DEVALUATION, ESPECIALLY IN VIEW OF PRESS REPORTS OF A LARGE
SPREAD BETWEEN OFFICIAL AND MARKET RATES IN SPAIN AND REPORTED
DROP IN VALUE OF ESCUDO IN NEW YORK. A MORE SPECIFIC CONCERN
IS NEW COMPLEMENTARY TAX REGULATIONS WHICH CALL FOR COMPLETE
ACCOUNTING OF ALL PERSONAL ASSETS, WHETHER LOCATED INSIDE OR
OUTSIDE OF PORTUGAL. WHILE DETAILS OF REGULATIONS NOT YET
PUBLISHED, BUSINESSMEN FEAR THEY WILL BE APPLIED TO FOREIGNERS
RESIDENT IN PORTUGAL. EMBASSY IS CHECKING.

3. SEVERAL BUSINESSMEN EXPRESSED CONVICTION THAT MANY FIRMS
WILL NOT BE ABLE TO MEET SALARY AND VACATION BONUS OBLIGATIONS

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PAGE 02 LISBON 03872 091659Z

AT END OF JULY. MOST FIRMS ARE OBLIGED PAY TWO MONTHS' SALARY

WHILE SOME WILL OWE THREE MONTHS AT THAT TIME. COMMENT:
PORTUGUESE FIRMS WILL HAVE TO BE BAILED OUT BY GOP LOANS OR
SERIOUS LABOR PROBLEMS WILL RESULT. U.S. FIRMS IN THIS POSITION
MAY FOLD IF PARENTS DO NOT PROVIDE FUNDING. SHOULD THIS BE CASE,
GOP WILL BE PUT IN DIFFICULT POSITION OF LENDING FUNDS, INTER-
VENING IN SOME MANNER IN FOREIGN FIRMS, OR ALLOWING UNEMPLOY-
MENT. END COMMENT

4. THERE WAS SUBSTANTIAL INTEREST IN TORRINGTON CASE, SEVERAL
BUSINESSMEN NOTING THAT OUTCOME OF THIS CASE IS BEING WATCHED
CAREFULLY IN ORDER TO GAUGE GOP ATTITUDE TOWARDS FOREIGN IN-
VESTMENT. REPRESENTATIVE OF TORRINGTON U.S. GAVE HIGH MARKS
TO USG ASSISTANCE.

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